

**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**

**Financial Statements (unaudited)**

**June 30, 2010**

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**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
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**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Statement of Assets, Liabilities and Partners' Capital (unaudited)**  
**June 30, 2010**

**Assets**

Investments, at fair value (cost \$927,850,978)	\$ 1,057,510,915
Cash and cash equivalents	331,092,655
Restricted cash for credit default swaps	13,213,030
Credit default swaps, at fair value (proceeds \$16,380,241)	367,680
Interest receivable	7,256,068
Unrealized appreciation of forward currency contracts	17,324,077
Receivable for investments sold	23,083,057
Receivable for principal paydowns	517,918
Other receivable	29,207

**Total assets**

\$ 1,450,394,607

**Liabilities**

Written options, at value (proceeds of \$278,337)	\$ 289,380
Credit default swaps, at fair value (proceeds \$18,184,227)	9,083,357
Due to broker - margin	747,239
Payable for investments purchased	33,836,207
Distribution payable	141,885
Accrued expenses and other liabilities	1,226,911

**Total liabilities**

45,324,979

**Commitments**

**Partners' capital**

1,405,069,628

**Total liabilities and partners' capital**

\$ 1,450,394,607

**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Statement of Operations (unaudited)**  
**For the period April 1, 2010 through June 31, 2010**

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**Investment Income**

Income:

Interest (net of withholding taxes of \$24,927)	\$ 19,469,969
Dividends and other income	<u>4,153,519</u>

<b>Total investment income</b>	<u><b>23,623,488</b></u>
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Expenses:

Management fee - net	7,665,795
Professional fees and operating expenses	664,291
Interest and dividend expense on securities sold short	<u>6,096</u>

<b>Total expenses</b>	<u><b>8,336,182</b></u>
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<b>Net investment income</b>	<u><b>15,287,306</b></u>
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**Net realized and unrealized gains and losses**

Net realized gain on investments and securities sold short (net of withholding taxes of \$66,812)	59,589,274
Net realized gain on swap contracts	7,591,593
Net realized gain on foreign currency contracts	1,000,360
Net realized loss on foreign currency transactions	(1,279,674)
Net change in unrealized appreciation of investments and securities sold short	(64,973,738)
Net change in unrealized appreciation on swap contracts	(6,751,369)
Net change in unrealized appreciation of written options	(11,043)
Net change in unrealized appreciation of forward currency contracts	12,709,308
Net change in unrealized appreciation from foreign currency translation	<u>(32,259)</u>
<b>Net realized and unrealized gain</b>	<u><b>7,842,452</b></u>

<b>Net increase in partners' capital resulting from operations</b>	<u><b>\$ 23,129,758</b></u>
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**Sankaty Credit Opportunities (Offshore Master) IV, L.P.****Statement of Changes in Partners' Capital (unaudited)****For the period April 1, 2010 through June 31, 2010**

	<u>Limited Partners</u>	<u>General Partner</u>	<u>Total</u>
Partners' Capital at March 31, 2010	\$ 1,406,415,549	\$ 69,204,048	\$ 1,475,619,597
Distributions	(71,219,515)	(22,460,212)	(93,679,727)
Management fee - net	(7,665,795)	-	(7,665,795)
Carried interest	(5,741,575)	5,741,575	-
Allocation of net increase in partners' capital resulting from operations (excluding management fee)	<u>29,328,708</u>	<u>1,466,845</u>	<u>30,795,553</u>
Partners' Capital at June 30, 2010	<u>\$ 1,351,117,372</u>	<u>\$ 53,952,256</u>	<u>\$ 1,405,069,628</u>

**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Statement of Cash Flows (unaudited)**  
**For the period April 1, 2010 through June 31, 2010**

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**Cash flows from operating activities:**

Net increase in the partners' capital resulting from operations \$ 23,129,758

**Adjustment to reconcile net increase in partner's capital resulting from operations to net cash provided by operating activities:**

Purchases of investments	(166,386,134)
Purchases of written options	(106,704)
Purchases of covers of securities sold short	(13,678,582)
Proceeds from sales of investments	192,173,379
Proceeds from sales of written options	385,041
Proceeds from principal paydowns of investments and credit default swaps	90,546,442
Non-cash interest income	(5,451,311)
Decrease in restricted cash	29,689,452
Decrease in interest receivable	2,997,206
Decrease in other receivable	11,604
Increase in accrued expenses and other liabilities	320,823
Net realized gain on investments and securities sold short	(59,589,274)
Net realized gain on swap contracts	(7,591,593)
Net change in unrealized appreciation of investments	64,973,738
Net change in unrealized appreciation on swap contracts	6,751,369
Net change in unrealized appreciation of written options	11,043
Net change in unrealized appreciation of forward currency contracts	(12,709,308)

Net cash provided by operating activities 145,476,949

**Cash used for financing activities:**

Partners' capital distributions	(93,537,842)
Increase in due to broker - margin	589,530

Net cash used for financing activities (92,948,312)

Net increase in cash and cash equivalents 52,528,637

Cash and cash equivalents, beginning of period 278,564,018

Cash and cash equivalents, end of period 331,092,655

**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$ 6,096
Taxes Paid	\$ 109,073

**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Condensed Schedule of Investments (unaudited)**  
**June 30, 2010**

<b>Investments 75.3%*</b>	<b>Fair Value</b>
<b>Corporate Fixed Income 7.9%*</b>	
Automotive	\$ 11,239,306
Building and Development	6,012,060
Business Equipment and Services	17,818,263
Chemical/Plastics	21,795,492
Containers and Glass Products	3,864,314
Electronic/Electric	926,606
Food Services	8,888,600
Leisure	1,789,650
Miscellaneous	600,746
Nonferrous Metals/Minerals	11,783,174
Oil and Gas	21,070,080
Telecommunications/Cellular communications	5,313,988
<b>Total Corporate Fixed Income (Cost \$82,002,401)</b>	<b>111,102,279</b>
<b>Senior Bank Debt 27.3%*</b>	
Aerospace and Defense	3,479,556
Air Transportation	24,608,722
Automotive	67,092,997
Broadcast Radio and Television	35,206,204
Building and Development	10,173,252
Business Equipment and Services	121,502
Cable Television	24,469,062
Chemical/Plastics	19,231,598
Clothing/Textiles	17,136,644
Conglomerates	23,454,802
Equipment Leasing	129,490
Financial Intermediaries	1,013,384
Food Services	1,939,133
Healthcare	14,610,214
Hotels/Motel/Inns and Casinos	5,961,174
Industrial Equipment	13,260,919
Insurance	1,269,802
Leisure	20,300,461
Nonferrous Metals/Minerals	6,805,828
Oil and Gas	66,714,782

**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Condensed Schedule of Investments (unaudited)**  
**June 30, 2010**

<b>Investments (continued)</b>	<b>Fair Value</b>
<b>Senior Bank Debt (continued)</b>	
Publishing	\$ 1,627,740
Telecommunications/Cellular communications	20,487,052
Utilities	2,997,883
<b>Total Senior Bank Debt (Cost \$317,522,325)</b>	<b>382,092,201</b>
<b>Mezzanine 18.9%*</b>	
Automotive	6,469,277
Building and Development	38,495,087
Business Equipment and Services	9,705,025
Cable Television	48,827,157
Chemical/Plastics	2,552,023
Conglomerates	9,668,092
Electronic/Electric	6,576,347
Food Products	11,901,484
Leisure	2,629,889
Miscellaneous	6,394,408
Oil and Gas	38,697,467
Publishing	15,340,220
Retailers (other than food/drug)	43,393,041
Telecommunications/Cellular communications	25,094,481
<b>Total Mezzanine (Cost \$250,403,172)</b>	<b>265,743,998</b>
<b>Common Stock 17.5%*</b>	
Aerospace and Defense	9,400,163
Automotive	8,234,064
Broadcast Radio and Television	2,183,048
Building and Development	47,242,217
Business Equipment and Services	11,866,547
Containers and Glass Products	22,931,356
Cosmetics/Toiletries	12,610,736
Ecological Services and Equipment	1,609,206
Financial Intermediaries	12,704,686
Food Services	272,577
Healthcare	20,461,156



**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Condensed Schedule of Investments (unaudited)**  
**June 30, 2010**

<b>Investments (continued)</b>	<b>Fair Value</b>
<b>Common Stock (continued)</b>	
Hotels/Motel/Inns and Casinos	\$ 5,920,226
Leisure	14,346,525
Miscellaneous	7,100,391
Nonferrous Metals/Minerals	20,040,247
Oil and Gas	17,667,237
Publishing	253,286
Retailers (other than food/drug)	10,431,772
Telecommunications/Cellular communications	1,971,290
Utilities	19,077,451
<b>Total Common Stock (Cost \$236,135,912)</b>	<b>246,324,181</b>
<b>Warrants 0.8%*</b>	
Broadcast Radio and Television	10,731,034
Oil and Gas	266,053
<b>Total Warrants (Cost \$4,751,800)</b>	<b>10,997,087</b>
<b>Structured Investments 2.9%*</b>	
Financial Intermediaries	6,546,482
Structured Finance Obligation	34,704,687
<b>Total Structured Investments (Cost \$37,035,368)</b>	<b>41,251,169</b>
<b>Total Investments (Cost \$927,850,978)</b>	<b>\$1,057,510,915</b>
<b>Credit Default Swaps -0.6%*</b>	
<b>Providing Protection -0.6%*</b>	
Chemical/Plastics	\$ 69,138
Financial Intermediaries	(52,180)
Structured Finance Obligation	(8,284,484)
<b>Total Providing Protection (Proceeds \$33,792,428)</b>	<b>(8,267,526)</b>
<b>Receiving Protection 0.0%*</b>	
Automotive	175,566
Healthcare	(623,717)
<b>Total Receiving Protection (Proceeds \$772,040)</b>	<b>(448,151)</b>
<b>Total Credit Default Swaps (Proceeds \$34,564,468)</b>	<b>\$ (8,715,677)</b>

**Sankaty Credit Opportunities (Offshore Master) IV, L.P.**  
**Condensed Schedule of Investments (unaudited)**  
**June 30, 2010**

**Written Options 0.0%\***

Business Equipment and Services	\$ (289,380)
<b>Total Written Options (Proceeds \$278,337)</b>	<b>\$ (289,380)</b>

**Forward Contracts 1.2%\***

Australian Dollar/USD	\$ 1,479,852
Canadian Dollar/USD	(457,464)
Euro/USD	14,303,642
Pounds Sterling/USD	1,998,047
<b>Total Forward Contracts</b>	<b>\$ 17,324,077</b>

The geographical categorization by country of issuer of the value of investments is as follows:

USA	78.0%
Germany	7.7%
Other	14.3%
	<u>100.0%</u>

At June 30, 2010 all issuers of the credit default swaps receiving protection were as follows:

USA	139.2%
Sweden	-39.2%
	<u>100.0%</u>

At June 30, 2010 all issuers of the credit default swaps providing protection were from the United States.

\*All investment category percentages are calculated as a percentage of total partners' capital of \$1,405,069,628.

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